Benefits from CAFTA-DR
Alaska

U.S. Department of commerce
international trade administration
march 2005

Alaska's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR nations (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, plus the Dominican Republic) totaled $456 thousand in 2004—nearly 200 percent higher than the $153 thousand worth of goods the state shipped to CAFTA-DR markets in 2003.

Alaska's leading market in the CAFTA-DR region is Guatemala ($258 thousand), which accounts for more than half (56 percent) of Alaska's total exports to the CAFTA-DR region.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

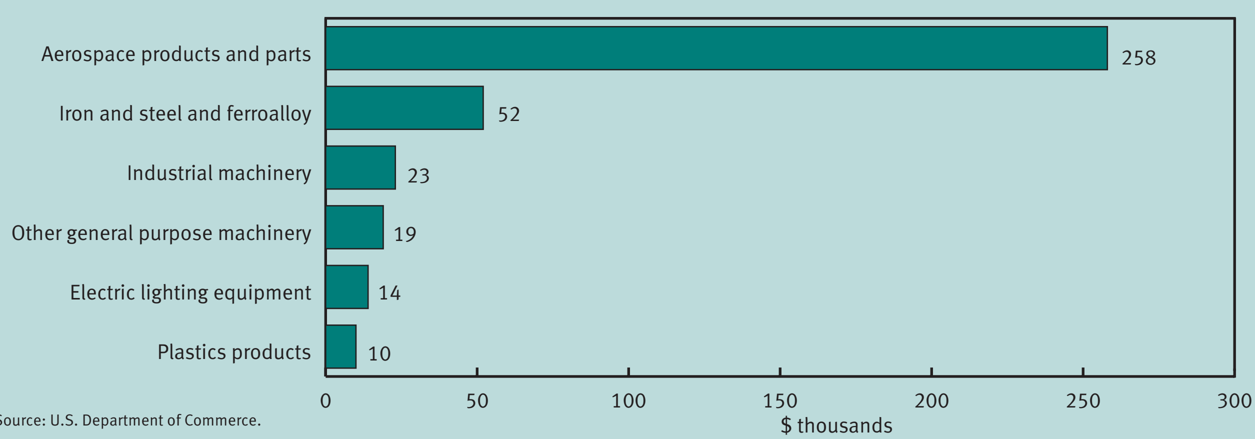
CAFTA-DR will boost opportunities for Alaska's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant average tariffs.

Continued on reverse

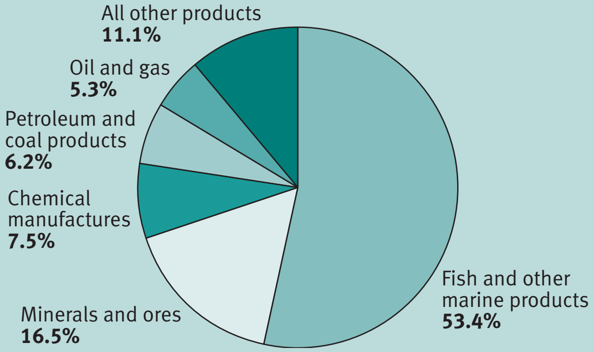
Alaska Exported $391 Thousand Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Aerospace Products and Parts Dominate



Source: U.S. Department of Commerce.

Alaska Exported $3.2 Billion in Goods to the World in 2004

Fish/Marine Products Dominate



Source: U.S. Department of Commerce.

CAFTA-DR Opens Markets for Key Alaska Exports

Fish and other marine products. Fish and other marine products account for 53 percent of Alaska's global exports. In 2004, Alaska exporters shipped fresh, chilled or frozen fish and other marine products valued at $65 thousand to the CAFTA-DR region. In comparison, in 2000, there were no exports in this category. Demand in Central America and the Dominican Republic for imported food products has been expanding substantially in recent years, despite high tariffs. Central American and Dominican Republic tariffs on fish currently average 9.9 to 16.6 percent, depending on the country.

Overall, 90 percent of U.S. fish exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the agreement. U.S. suppliers of food products, including fresh, chilled or frozen fish, will benefit from CAFTA-DR tariff elimination provisions.

Aerospace products and parts. Alaska's top export to the CAFTA-DR region is aerospace products and parts. In 2004, exports were valued at $258 thousand. Central American and Dominican Republic tariffs on aircraft and related products currently range from 0 to 20 percent, with the average varying by country from 1.4 to 4.8 percent. With respect to aircraft and related product exports, nearly all of U.S. exports, including products such as small aircraft, aircraft engines and parts, will receive duty-free treatment immediately upon implementation of the agreement.

Iron, steel, and ferroalloys. Alaska's second largest manufactured export category to the CAFTA-DR region is iron, steel, and ferroalloys. Tariffs on all U.S. steel exports to Central America and the Dominican Republic will be phased out, with more than seventy percent of U.S. exports receiving duty-free treatment immediately upon implementation of the agreement. Major infrastructure projects (roads, bridges, hotels) and private-sector-led development of industrial sites and housing has led to a boom in construction in Central America and the Dominican Republic, providing new opportunities for U.S. manufacturers.

Machinery manufactures. In 2004, Alaska's exporters shipped industrial machinery valued at $23 thousand and other general purpose machinery valued at $19 thousand to the CAFTA-DR region. Ninety-two percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement. The tariff elimination provisions of CAFTA-DR will better position U.S. exporters to take advantage of expanding market demand in these and other sectors.

Alaska's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, Alaska's exports to Chile grew by 164 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Alaska's combined exports to Canada and Mexico have increased by more than 350 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.